
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 1.15.2010

MESSAGING RESOURCES/POLLING UPDATE

Lavish Bonuses For Wall Street Executives That Received Government Assistance Are An Outrage, But Government Regulation Is Not The Answer. Republicans are outraged at the lavish compensation packages for corporate executives who have presided over huge losses at financial institutions that have received billions of taxpayer dollars to prevent their failure. However, empowering government bureaucrats to sit in judgment of the "incentive-based" compensation of every employee at thousands of financial institutions across the country - the approach taken in the Democrats' financial regulatory reform legislation (H.R. 4173) - represents another example of the Democrats' failed "command and control" approach to economic policy. It was the government that approved \$165 million in bonuses for AIG's top executives in March 2009. It was also Fannie Mae's and Freddie Mac's regulators who approved \$6 million a year pay packages for their CEOs in December 2009, even though the enterprises are in conservatorship and have effectively become government entities. As Nell Minow, a leading shareholder rights advocate who will testify at the Committee's January 22nd hearing at Chairman Frank's invitation, states on her web site: "I have the utmost respect for politicians and bureaucrats. But I also recognize their limits. The government should not micro-manage pay."

Fannie Mae and Freddie Mac Have Effectively Become Government Entities And Their Executive Pay Should Be Consistent With That of Federal Employees. U.S. taxpayers now own at least 80 percent of Fannie Mae and Freddie Mac, and it is unlikely that they will ever be returned to private shareholders. Despite these facts, Treasury and the Federal Housing Finance Agency (FHFA) approved annual compensation packages for their chief executive officers of \$6 million each, including incentive pay of \$2 million each, which is 15 times more than the President is paid, and 30 times more than a Cabinet Secretary receives. FHFA and Treasury also approved multi-million dollar compensation packages for a number of Fannie and Freddie's top executives, payable in cash rather than in the type of stock options that have characterized compensation arrangements at other large financial institutions that have received extraordinary government assistance. FHFA, as the safety and soundness regulator for Fannie Mae and Freddie Mac, should immediately suspend the compensation packages approved for their senior executives and, instead, establish a compensation system in accordance with the rates of pay for Executive and Senior level employees of the United States Government.

Economic Recovery Depends On Regulatory Consistency Regarding Bank Lending. Financial institutions continue to operate in an uncertain regulatory environment that is suppressing lending. Washington is encouraging banks to lend more, while at the same time bank examiners are applying restrictive standards which inhibit bank lending, and the Obama Administration is pursuing policies that stifle economic growth and reduce banks' available capital. These conflicting mandates are cutting off the flow of credit to consumers and small business at a time when it is needed most. Small businesses continue to face difficulties in obtaining loans and in some cases have seen their credit lines cut. The Committee must examine the reasons for these "mixed messages" and address the negative impact it is having on financial institutions, the ability of the economy to recover, and the ability of consumer and small businesses to obtain the credit they need to grow and create jobs.

ON THE HORIZON

Wednesday, January 20: The Housing Subcommittee will convene for a hearing on H.R. 476, the Housing Fairness Act at 10 am in room 2128 Rayburn.

Thursday, January 21: The Financial Institutions Subcommittee will meet for a hearing entitled 'The Condition of Financial Institutions: Examining the Failure and Seizure of an American Bank' at 10 am in room 2128 Rayburn.

Friday, January 22: The Full Committee will convene for a hearing on compensation at 10 am in room 2128 Rayburn.

WEEKEND MUST-READS

Wall Street Journal: "Consumer Protection Agency in Doubt ... Senate Banking Committee Chairman Christopher Dodd is considering scrapping the idea of creating a Consumer Financial Protection Agency, people familiar with the matter said, an initiative at the heart of the White House's proposal to revamp financial-sector regulations."

Wall Street Journal: "Financial Inquiry Widens to Include Past Regulators ... The chairman of the commission investigating the 2008 financial crisis said Thursday he planned to probe the actions of regulators back to the Clinton Administration, broadening his inquiry beyond bankers."

Wall Street Journal: "The Geithner AIG Story ... Timothy Geithner is back in piñata mode, with House Oversight Chairman Edolphus Towns asking him to testify next week about bailout giant AIG. By all means Members should swing away at the Treasury Secretary, but only if they focus on the right questions."

Washington Post: "U.S. probing 15 FHA lenders on failed loans ... Federal housing officials launched a probe Tuesday targeting 15 lenders approved to do business with the Federal Housing Administration that have unusually high default rates among their FHA-backed loans."

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Randy Neugebauer issued this statement: Neugebauer: President's Proposed Tax Will Reduce The Flow Of Credit And Pass The Burden On To Small Businesses And Families

Rep. Tom Price issued this statement: President Puts Revenge Before Recovery

Rep. Scott Garrett issued this statement: Garrett Statement on Obama's Proposed Bank Tax

Rep. Spencer Bachus issued these press releases: Bachus Statement on AIG; Bachus: Proposed Tax Will Drain Capital From Financial System Needed To Create Jobs; Bachus: Jan. 22 Committee Hearing Must Examine Pay Of Fannie and Freddie Executives; House Republicans Urge Bernanke To Disclose AIG Documents Already Provided By The Fed To The Senate; Bachus Responds To Barney Frank Regarding AIG Hearing

###